

Administrative Bulletin 03-11

Nursing Facility Direct Care Add-on

This Administrative Bulletin provides clarification on the methods the Division will use to complete the Direct Care Add-on Recovery calculations. This calculation is required under the Division's nursing facility standard payment regulation at 114.2 CMR 6.06(2)(b).

The regulation provides four (4) tests the Division will use to determine compliance with the spending requirements in Chapter 42 of the Acts of 2003. Facilities are encouraged to monitor compliance throughout the year to ensure that they will not be subject to a recovery.

Attached are worksheets designed to assist providers in assessing and monitoring compliance with the spending requirements of the Direct Care Add-on. Compliance cannot be fully determined until the rate period is complete and all the revenue has been received. Further, the Division will conduct desk reviews and audits and may revise figures reported by facilities. Therefore, these worksheets should be used only as a guide and do not replace or supersede the provisions of 114.2 CMR 6.00 or the Division's calculations or audit findings.

1. Worksheet A: Global Test

In general, facilities may comply by spending the annual amount it received from the add-on on permissible accounts. Worksheet A, included with this Bulletin, can be used to measure provider spending to date. If the dollar change between the annualized base period spending and the rate period spending for these accounts equals or exceeds the revenue received from the add-on, the facility will likely be in compliance. However, there are some caveats to this rule:

- Certain facilities may not be required to spend all the additional funds as a result of this add-on. This situation would occur if the facility were already spending above the payment levels that are included in the Medicaid rates. To determine if a facility is in this situation, complete worksheet B.
- Facilities with collective bargaining agreements are required to spend the add-on money "over and above" the amounts that they have previously negotiated before July 1, 2003 for wage increases effective on and after July 1, 2003.

2. Worksheet B: Nursing costs in excess of the median

Worksheet B compares a facility's spending levels to the median-based standard payments used by the Medicaid program. It is modeled after the calculation described in 114.2 CMR 6.06(2)(b)(1), "Nursing costs in excess of the median." Facilities may use this worksheet to monitor ongoing compliance.

3. Target Amount

The target amount for worksheet B and referenced in 114.2 CMR 6.06(2)(b)1.b. for the period July 1, 2003 to June 30, 2004 will be **\$0.3805** per management minute.

Worksheet A: Global Test

		1	2	3	4
	Allowable Accounts	Spending for Period, January 1, 2003 - May 31, 2003	Annualized base period spending (Col. 1 * (12/5))	Spending for period, July 1, 2003 - June 30, 2004	Change in spending (col 3 - col 2)
1	4336.3 - DON pensions				
2	4336.4 - Other nursing pensions				
3	4340.3 - DON benefits - other				
4	4340.4 - Other nursing - other benefits				
5	4407.2 - DON payroll taxes				
6	4408.2 - Payroll taxes other nursing				
7	4426.8 - Group life/health insurance - DON				
8	4426.9 - Group life/health insurance - other nursing				
9	4427.2 - Worker's compensation - other nursing				
10	4427.1 - Worker's compensation - DON				
11	6020.1 - DON salaries				
12	6030.1 - Other RN salaries				
13	6035.3 - RN purchased services				
14	6041.1 - LPN salaries				
15	6042.3 - LPN purchased services				
16	6051.1 - Nurse's Aide salaries				
17	6052.3 - Nurse's Aide purchased services				
18	9962.3 - HCF-3 DON add-back				
19	MINUS Recoverable income (3192.0 & 3195.0)				
20	MINUS CNA Add-on Revenue				
21	MINUS Raises Included in Collective Bargaining Agreements Negotiated Before 07/01/03 (if applicable)				
22	Total Spending				

23	Direct Care Add-On (07/01/03 – 08/31/03)	\$ x.xx
24	x Projected MassHealth Days (07/01/03 – 08/31/03)	
25	Target Direct Care Add-On Spending (07/01/03 – 08/31/03) (line 23 x 24)	
26	Direct Care Add-On (09/01/03 – 06/30/04)	\$ x.xx
27	X Projected MassHealth Days (09/01/03 – 06/30/04)	
28	Target Direct Care Add-On Spending (09/01/03 – 06/30/04) (line 26 x 27)	
29	Total Target Direct Care Add-On Spending (line 25 + 28)	

30	Difference Between Total Spending and Target (line 29 – 22)	
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Worksheet B: Expenses above the median

		Amounts for July 1, 2003 - June 30, 2004
1	Total patient days	
2	Mean number of operating ¹ beds	
3	Minimum utilization	96%
4	Threshold days (line 2 * 366 * line 3)	
5	DIVISOR (Greater of line 1 or line 4)	
6	Total direct care expenses (from Worksheet A, line 22 col. 3)	
7	Nursing Expense per day (line 6 / line 5)	
8	Average management minutes	
9	Nursing expense per minute (line 7 / line 8)	
10	Standard nursing cost per minute	\$0.3805
11	Difference, actual per minute less standard per minute (line 9 - line 10)	
12	Total patient days (same as line 1)	
13	Amount credited toward compliance (line 11 * line 8 * line 12)	

¹ “Operating” refers to the number of licensed beds net of any temporary changes.